

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Nanci E. Langley

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates

Docket No. MC2015-23

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates 5 (MC2015-23)

Docket No. CP2015-29

ORDER ADDING GLOBAL EXPEDITED PACKAGE SERVICES–NON-PUBLISHED  
RATES CONTRACT 5 (GEPS–NPR 5)  
TO THE COMPETITIVE PRODUCT LIST

(Issued January 13, 2015)

I. INTRODUCTION

The Postal Service asks that the Commission add Global Expedited Package Services–Non-Published Rates 5 (GEPS–NPR 5) to the competitive product list within the Mail Classification Schedule (MCS).<sup>1</sup> The Request includes a GEPS–NPR 5

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<sup>1</sup> Request of the United States Postal Service to Add Global Expedited Package Services–Non-Published Rates Contract 5 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, December 24, 2014 (Request).

revised model contract. Request at 3.<sup>2</sup> For the reasons discussed below, the Commission approves the Request.

## II. BACKGROUND

*GEPS–NPR product history.* The GEPS–NPR grouping offers incentive pricing to small- and medium-sized businesses that are able to satisfy prescribed capability requirements and are willing to enter a contractual commitment to minimum levels of revenue through the use of Priority Mail Express International (PMEI), Priority Mail International (PMI), and (since the addition of GEPS–NPR 3) Global Express Guaranteed (GXG). *Id.* at 6, Attachment 2C at 1.

Under the approach developed for GEPS–NPR in Order Nos. 630,<sup>3</sup> 1161,<sup>4</sup> and 1625,<sup>5</sup> the Commission authorizes the Postal Service to enter into standard agreements, following approval of the product, and allows the Postal Service to file the executed agreements for review after execution, subject to several conditions. The latter includes filing requirements, such as notice of the fact that the Postal Service has entered into a GEPS–NPR contract, the effective date, the termination date, and quarterly results. *See generally* Order Nos. 630 and 1161, as revised by Order No. 1333.<sup>6</sup>

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<sup>2</sup> The model contract was filed pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3015.5. *Id.*

<sup>3</sup> Docket No. CP2011-45, Order Adding Global Expedited Package Services–Non-Published Rates 2 to the Competitive Product List, December 30, 2010 (Order No. 630).

<sup>4</sup> Docket Nos. MC2012-4 and CP2012-8, Order Approving Postal Service Request to Add Global Expedited Package Services–Non-Published Rates 3 (GEPS–NPR 3) to the Competitive Product List, January 20, 2012 (Order No. 1161).

<sup>5</sup> Docket Nos. MC2013-27 and CP2013-35, Order Adding Global Expedited Package Services–Non-Published Rates 4 (GEPS–NPR 4) to the Competitive Product List, January 16, 2013 (Order No. 1625).

<sup>6</sup> Docket Nos. MC2012-4 and CP2012-8, Order on Motion for Partial Reconsideration, May 4, 2012 (Order No. 1333).

*The Instant Request.* This Request marks the fifth time the Postal Service has requested that a new GEPS–NPR product be established.<sup>7</sup> The Postal Service indicates that the Request is the result of a revised financial model resulting from the creation of a new price management analysis and methodology for determining prices for Negotiated Service Agreements under Global Expedited Package Services. Request at 3.

Supporting documentation states that GXG is only available for GEPS–NPR 5 customers who choose postage payment through a permit imprint using Postal Service-provided Global Shipping Software (GSS) as one of their shipping software solutions and/or postage payment through a USPS-approved PC Postage Provider that offers capabilities for programming rates for GXG. *Id.*, Attachment 2C at 1. In addition, GEPS–NPR 5 PMEI<sup>8</sup> and PMI prices are based on the level of downstream access: Nationwide, Metro, and/or International Service Center (ISC) Drop Ship. *Id.* at 2.

In connection with the new product, the Postal Service, consistent with Order No. 1959, will provide a copy of each GEPS–NPR 5 customer agreement to the Commission, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each GEPS–NPR 5 agreement. *Id.*, Attachment 2C at 6. “All contracts using the GEPS–NPR 5 model customer contract and the rates in this Management’s Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate Annual Compliance Report.” *Id.* In addition, each GEPS–NPR 5 contract will bear a serial number and subsequent

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<sup>7</sup> The previous products are GEPS–NPR 1; GEPS–NPR 2; GEPS–NPR 3; GEPS–NPR 4; and GEPS–NPR 4 Version 2. See Governors’ Decision Nos. 10-2, 10-7, and 11-6, respectively. Request at 2. The Postal Service relies on Governors’ Decision No. 11-6 to support this Request. *Id.* at 3; see Attachment 2A.

<sup>8</sup> Here, as in other places throughout the Request, the Postal Service refers to “EMI,” as opposed to “PMEI”. However, the Postal Service changed the name of Express Mail International (EMI) to Priority Mail Express International (PMEI). Docket No. MC2013-45, Order Approving Minor Classification Change, May 13, 2013 (Order No. 1713). For the entirety of this Order, all Request references to EMI are considered actual references to PMEI.

information filed with the Commission concerning a specific contract will be filed with reference to the docket and serial number. *Id.*

*Related Commission Action.* In Order No. 2314, the Commission noticed the Request, described the accompanying supporting documentation (including an application for non-public treatment of certain material), appointed a Public Representative, and provided the public with an opportunity to comment.<sup>9</sup>

### III. THE POSTAL SERVICE'S POSITION

*Appropriateness of Model Contract.* The Postal Service states that the GEPS–NPR 5 model contract revises certain areas of the previously filed GEPS–NPR 4 Version 2 model contract. Request at 3. It identifies the main differences between the two models as: (1) the Management Analysis; (2) the financial model; and (3) the rates.<sup>10</sup>

The Postal Service asserts that none of the changes to the referenced articles affect the rate design used to generate the rates for GEPS–NPR 4 or the market characteristics of the GEPS–NPR 4 product, which it claims “continues to be designed for small- and medium-sized business mailers wishing to use international expedited delivery services for their correspondence and order fulfillment.” *Id.* With respect to new rates, the Postal Service asserts that related changes are authorized by Governors’ Decision No. 11-6, which states that for Outbound International Competitive Agreements, such as GEPS–NPR 4, “management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification

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<sup>9</sup> Notice and Order Concerning the Addition of Global Expedited Package Services–Non-Published Rates Contract 5 to the Competitive Product List, December 31, 2014 (Order No. 2314). The Order identifies supporting documentation filed, among other things, in the form of redacted and unredacted versions of Governors’ Decision No. 11-6; the GEPS–NPR 5 Management Analysis; the GEPS–NPR 5 model contract; and the GEPS–NPR 5 financial model with maximum and minimum prices for GXG, PMEI, and PMI, and related discussion addressing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5. *Id.* at 3-4.

<sup>10</sup> The Postal Service also lists six minor changes to the model agreement that are more administrative in nature. *Id.* at 7.

Schedule, and to present such product description to the Postal Regulatory Commission.”<sup>11</sup> *Id.*

*Consistency with section 3642.* The Postal Service states that under 39 U.S.C. § 3642(b), the criteria for review are whether the product qualifies as market dominant; whether it is excluded from the postal monopoly; and whether the proposed classification reflects certain market considerations. *Id.* at 8. With respect to 39 U.S.C. § 3642(b)(1), the Postal Service asserts that the product does not qualify as market dominant, as the Postal Service does not exercise sufficient monopoly market power to effectively set the price of PMEI, PMI, and GXG “substantially above costs, raise prices significantly, decrease quality, or decrease output without risk of losing a significant level of business to other firms offering similar products.” *Id.* at 8-9.

With respect to 39 U.S.C. § 3642(b)(2), the Postal Service asserts that Qualifying Mail in GEPS–NPR 5 contracts consists of GXG, PMEI, and PMI items, which are items that fall outside the scope of the Private Express Statutes. *Id.* at 9. It states that shipping of merchandise outside of the definition of “letters” using GXG, PMEI, and PMI is not subject to the Private Express Statutes. *Id.* It further states that any “letters” as defined by 39 C.F.R. § 310.1(a) that are inserted in such items would likely fall within the suspensions or exceptions of the Private Express Statutes. *Id.*

The Postal Service asserts that 39 U.S.C. § 3642(b)(3) considerations (concerning certain market implications) are addressed in the Statement of Supporting Justification. *Id.*

*Section 3633(a).* The Postal Service includes a Statement of Supporting Justification to support a finding that the GEPS–NPR 5 product’s cost coverage will ensure that cross-subsidization of this product by market dominant products should not

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<sup>11</sup> Governors’ Decision No. 11-6, at 1-2. Governors’ Decision No. 11-6 states that “Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2).”

occur and demonstrates that the product should make an ample contribution to institutional costs, in addition to covering its attributable costs. *Id.*, Attachment 2C.

#### IV. COMMENTS

Comments were filed by the Public Representative.<sup>12</sup> No other comments were received.

The Public Representative's review of the Postal Service's filing leads him to conclude that the GEPS–NPR 5 product should be added to the competitive product list and the discounted prices derived from the methodology presented in the financial model should generate sufficient revenues to permit the GEPS–NPR 5 product to cover costs and thereby satisfy section 3633(a). PR Comments at 2, 4-5.

#### V. COMMISSION ANALYSIS

The Postal Service's Request presents two issues: (1) whether GEPS–NPR 5 should be added to the competitive product list; and (2) whether the rates generated by the methodology presented in the accompanying GEPS–NPR 5 financial model satisfy 39 U.S.C. § 3633(a) and 39 C.F.R. part 3015. Based on a review of the Request and the supporting documentation, the Commission approves the Postal Service's request to add GEPS–NPR 5 to the competitive product list.

*Inclusion on the competitive product list.* The applicable criteria, under 39 U.S.C. § 3642(b), are whether the proposed product qualifies as market dominant or competitive; is excluded from the postal monopoly; and reflects several additional considerations related to the impact on private enterprises engaged in delivery of the product, the views of those who use the product, and the likely impact on small business concerns.

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<sup>12</sup> Public Representative Comments on Postal Service Request to Add Global Expedited Package Services–Non-Published Rates (GEPS–NPR) 5 to the Competitive Product List, January 7, 2015 (PR Comments).

GEPS–NPR 5 revises several areas of GEPS–NPR 4, which, in Order No. 1625, was classified as a competitive product. The changes identified by the Postal Service do not require reconsideration of that determination. See *also* Order No. 630.

*Cost considerations.* The financial modeling presented by the Postal Service in support of the GEPS–NPR 5 product indicates that rates are sufficient to cover attributable costs, and that the product is not being cross-subsidized by market dominant products and should make a positive contribution to institutional costs. Thus, based on a review of the Request, supporting data, and comments, the Commission finds that the rates for GEPS–NPR 5 contracts should cover their attributable costs (39 U.S.C. § 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. § 3633(a)(3)).

*Conclusion.* The Commission approves the Request to add GEPS–NPR 5 (MC2015-23 and CP2015-29) as a new product to the competitive product list within the MCS.

## VI. ORDERING PARAGRAPHS

*It is ordered:*

1. Global Expedited Package Services–Non-Published Rates Contract 5 (MC2015-23 and CP2015-29) is added to the competitive product list within the Mail Classification Schedule. Revisions to the competitive product list and the Mail Classification Schedule appear below the signature of this Order and are effective immediately.
2. Changes in rates due to changes to the model contract and/or changes to the financial model must be approved in advance by the Commission pursuant to 39 C.F.R. part 3015.

3. When there is a change in rates or classifications of general applicability that affects more than the input sheet of the financial model, the Postal Service shall file a request pursuant to 39 C.F.R. part 3015 and include a complete updated model.
4. A copy of each contract, along with the financial model inputs used to generate rates for each contract, must be filed with the Commission within a reasonable time, e.g., within 10 days of the effective date of the contract.
5. When the Postal Service notifies a mailer of a change in rates pursuant to Article 15 of the model contract, the Postal Service shall file with the Commission a copy of the notice along with the financial model inputs used to generate the new rates.
6. The Postal Service shall notify the Commission of the effective date of each contract. If any contract terminates earlier than scheduled, the Postal Service shall inform the Commission prior to the new termination date.
7. The Postal Service shall file, within 30 days of the end of each fiscal year quarter, costs, volumes, and revenues disaggregated by weight and country group associated with each contract that expires during that quarter, including any penalties paid.
8. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in this Order.

By the Commission.

Shoshana M. Grove  
Secretary



The following material represents changes to the product list codified in Appendix A to 39 C.F.R. part 3020, subpart A—Mail Classification Schedule. These changes reflect the Commission’s order in Docket Nos. MC2015-23 and CP2015-29. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

**Part B—Competitive Products**  
**2000 Competitive Product List**

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**Negotiated Service Agreements\***

Domestic\*

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Global Expedited Package Services—Non-Published Rates Contract 5

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## CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified in Appendix A to 39 C.F.R. part 3020, subpart A—Mail Classification Schedule. These changes reflect the Commission’s order in Docket Nos. MC2015-23 and CP2015-29. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

### **Part B—Competitive Products** **2000 Competitive Product List**

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#### **Negotiated Service Agreements\***

Domestic\*

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#### Global Expedited Package Services—Non-Published Rates Contract 5

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2510.8 Global Expedited Package Services (GEPS)—Non-Published Rates

2510.8.1 Description

- a. Global Expedited Package Services (GEPS)—Non-Published Rates provides tiered incentives for Global Express Guaranteed (GXG), Priority Mail Express International (PMEI), and Priority Mail International (PMI) for all destinations served by GXG, PMEI, and PMI. GXG is only available if the mailer chooses postage payment through a permit imprint using Postal Service-provided Global Shipping Software (GSS).
- b. Global Expedited Package Services (GEPS)—Non-~~p~~uublished Rates is available through customized negotiated agreements, which depend upon a mailer’s revenue commitment and choice of downstream access option.
- c. To qualify for Global Expedited Package Services (GEPS)—Non-~~p~~uublished Rates, a mailer must be capable, on an annualized basis, of paying at least \$200,000.00 for GXG, PMEI, and PMI to the Postal Service under a Global Expedited Package Services (GEPS)—Non-Published Rates agreement.
- d. A mailer must commit to tender varying minimum postage of GXG, PMEI, and PMI, on an annualized basis.

- e. Mail preparation requirements are the same as for all GXG, PMEI, and PMI shipments with the following exceptions if the mailer selects postage payment through a permit imprint using Postal Service-provided Global Shipping Software (GSS):
- The mailer is required to create address labels and customs declarations for PMEI and PMI, using Postal Service-provided Global Shipping Software (GSS).
  - The mailer is required to create address labels for GXG using Postal Service-provided Global Shipping Software (GSS), and to follow the procedures detailed in Postal Service Publication 141 *Global Express Guaranteed Service Guide*.
  - The mailer may be required to prepare specific shipments according to country specific requirements.
- f. Individual negotiated agreements must comply with the requirements specified in 39 U.S.C. § 3633.
- g. Individual negotiated agreements must be on file with the Commission within 10 days of their effective date.

2510.8.2 Size and Weight Limitations Requirements

*Global Express Guaranteed<sup>1</sup>*

	Length	Height	Thickness	Weight
Minimum	Must be able to hold the shipping label with pouch and postage			none
Maximum	46 inches	35 inches	46 inches	70 pounds
	108 inches in combined length and girth			

**Notes**

1. Country-specific restrictions may apply as specified in the International Mail Manual.

*Priority Mail Express International<sup>1</sup>*

	Length	Height	Thickness	Weight
Minimum	Large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	79 inches			70 pounds
	108 inches in combined length and girth			

**Notes**

1. Country-specific restrictions may apply as specified in the International Mail Manual.

*Priority Mail International<sup>1, 2</sup>*

	Length	Height	Thickness	Weight
Minimum	<del>5.5 inches                      3.5 inch                      none</del> <u>For customer-provided packaging, large enough to accommodate postage, address, custom labels, and any other required elements on the address side</u>			none
Maximum	79 inches			70 pounds
	108 inches in combined length and girth			

**Notes**

1. Weight and other exceptional size limits based on shape and destination country restrictions may apply as specified in the International Mail Manual.
2. ~~Items must be large enough to accommodate postage, address and other required elements on the address side.~~

2510.8.3 Minimum Volume Requirements

Global Expedited Package Services (GEPS)—Non-published Rates customers are required to meet minimum volume or weight requirements established for presentation of a manifest mailing.

#### 2510.8.4 Price Categories

The incentives are based on the revenue commitment and the downstream access option selected by the customer. Optional features are separately charged according to the published prices for each service at the time of mailing.

The following price categories are available for the product specified in this section:

- GEPS – Global Express Guaranteed
- GEPS – Priority Mail Express International
- GEPS – Priority Mail International

#### 2510.8.5 Optional Features

Optional features are separately charged according to the published prices for each service at the time of mailing. The following additional postal services may be available in conjunction with the product specified in this section:

- Pickup On Demand Service
- International Ancillary Services (2615)
  - None
- ~~Software-Related Services~~
  - ~~Labeling~~

At the mailer's request, the Postal Service will arrange for labels and customs declarations to be applied.
  - ~~Harmonization~~

At the mailer's request, the Postal Service will arrange for classification of merchandise according to country specified customs regulations to determine applicable duties and taxes.
  - ~~Returns~~

At the mailer's request, the Postal Service will contract with a returns center appropriate for the particular country. The returns center inspects the goods it receives from the mailer's customers and returns the goods in bulk to the mailer in the United States. The Postal Service invoices the mailer for appropriate charges. The Postal Service may also charge for certain Priority Mail Express International and Priority Mail International undeliverable as-addressed returns when customs duties have been prepaid.

2510.8.6 Prices

Prices are subject to the terms and conditions of individual negotiated agreements. The non-published range of prices that may be offered to mailers are pre-approved and subject to regulatory review.

2510.8.7 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Global Expedited Package Services (GEPS)—Non-Published Rates 2  
*Baseline Reference*  
Docket No. CP2011-45  
PRC Order No. 630, December 30, 2010  
*Historical Reference*  
Docket Nos. MC2010-29 and CP2010-72  
PRC Order No. 593, November 22, 2010
- Global Expedited Package Services (GEPS)—Non-Published Rates 3  
*Baseline Reference*  
Docket Nos. MC2012-4 and CP2012-8  
PRC Order Nos. 1161, January 20, 2012
- Global Expedited Package Services (GEPS)—Non-Published Rates 4  
*Baseline Reference*  
Docket Nos. MC2013-27 and CP2013-35  
PRC Order Nos. 1625, January 16, 2013
- Global Expedited Package Services (GEPS)—Non-Published Rates 5  
*Baseline Reference*  
Docket Nos. MC2015-23 and CP2015-29  
PRC Order No. 2320, January 13, 2015